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COMMUNITY DEVELOPMENT CORPORATION  
**SINGLE FAMILY SUPPORT FUND PROGRAM**  
Program Guidelines

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July 2010

Department of Community Development

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## **A. AMOUNT AND TYPE OF ASSISTANCE**

The purpose of the program is to make gap financing available, through an open application process, to Community Development Corporations (CDCs) with limited capacity so they can produce homeownership units quickly and on a smaller scale. This program also empowers CDCs to quickly target spot blight in communities. The intent of the funding is to enable CDCs to produce units, earn a developer fee and develop a track record that will build capacity to take on larger projects.

Projects must produce 1-3 units of single family, homeownership housing. Rehabilitation and new construction projects are eligible to apply for up to \$50,000 of gap financing per unit. Other sources of City subsidy (with the exception of tax abatements) are not permitted to be used in conjunction with this program. The subsidy request must include between \$1,000 and \$14,999 of homebuyer assistance. The Developer fee is limited to a maximum of 15% of total project costs, excluding acquisition/closing costs and the developer fee. Redevelopment of single family, owner-occupant for sale units that contain a single rental unit are also eligible, provided the subsidy does not exceed 50% of the total project cost. Condominium projects are not eligible.

The Department of Community Development will review each application to determine the amount of gap financing needed to complete the project. Funds will be used to subsidize the construction/rehabilitation costs of the units and to fill the “gap” between the cost of the development and the sales price. The funding will be structured as a deferred forgivable loan with a five (5) year monitoring requirement and recapture provisions.

## **B. ELIGIBILITY CRITERIA**

### **1. Applicants**

- a. 501 (c) (3) Nonprofit Community Development Corporations (CDCs) located within the City of Cincinnati limits are eligible to apply for funding.

### **2. Projects**

- a. Project must be located within the City of Cincinnati and consist of 1-3 single family, homeownership units. Duplexes are eligible when sold to an owner occupant who will rent the other unit. Condominiums are ineligible under this program.
- b. CDC must have site control of property.
- c. Project must conform to current regulations of zoning code and historic guidelines must be followed where applicable.
- d. All units must be rehabilitated/constructed to meet the Cincinnati Building Code.
- e. Vacant units are preferred. All relocation procedures must be followed in the event units are occupied.
- f. Upon completion of construction/rehabilitation, all assisted units must be sold in an arm's length transaction to eligible buyers (at or below 80% of area median income).
- g. Sales prices and after rehabilitation value cannot exceed 95% of the area median purchase price.

**3. Eligible Costs**

Eligible City costs include acquisition, rehabilitation/new construction (i.e., hard costs), and soft costs including inspections, lead risk assessments and clearances. A developer fee of 15% of total project costs (excluding acquisition and the developer fee) is also eligible. The developer fee will be paid in accordance with the progress of the project.

The City will not reimburse any expenses prior to the effective date of the contract.

**4. Homebuyers**

- a. Federal HOME dollars will be used to fund this program. The incomes of households receiving HOME assistance must not exceed eighty percent (80%) of the area median income adjusted for household size. HOME income limits are published each year by HUD. The Table below outlines FY 2009 Income Limits. More information can be accessed through.

<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/>

FY 2010 Income Limit Category	1 Person	2 Person	3 person	4 Person	5 Person	6 Person	7 Person	8 Person
Below (80%) Income Limits	\$38,950	\$44,500	\$50,050	\$55,600	\$60,050	\$64,500	\$68,950	\$73,400

- b. Income eligibility must be determined prior to the homebuyer purchasing a rehabilitated property or if the unit is new construction, at the time the construction contract is signed. This program utilizes the Part 5 Income Qualification Method. The CDC is responsible for submitting all income documentation to DCD for review and approval.
- c. The property must be used as the household’s principal place of residence.
- d. The Homebuyer will be required to execute a Mortgage and Note to secure the amount of Homebuyer Assistance received. A minimum of \$1,000 is required under this program. The amount of assistance provided to the homebuyer must be reasonable (i.e., based upon a review of the individual financial circumstances). The Homebuyer shall be permitted to grant a first mortgage lien on the property to secure financing for the purchase of the property from the CDC.
- e. **Affordability Period/ Recapture Provision:** The owner must reside in the property for a minimum of 5 years. The promissory note and mortgage shall contain a recapture provision that the City shall forgive the Homebuyer Assistance Loan over a period of five (5) years following the date of the promissory note (the “Affordability Period”). For each full year of the Affordability Period that the Homebuyer owns and occupies the home as his/her primary residence, an amount equal to twenty percent (20%) of the original amount of the original Homebuyer Assistance Loan shall be forgiven.

### **C. SUBMISSION & REVIEW PROCEDURES**

In order to apply for funding, CDCs must complete the application as well as all requested attachments.

Staff will review the application and provide a recommendation. Projects will be evaluated on organizational capacity, soft financing commitment, strategic location of the project in a highly visible development focus area, and the product design for the intended homebuyer. If the project is recommended for funding, a Loan Commitment Letter will be issued to the CDC stating that the City intends to lend up to the approved amount for gap financing. The process from receipt of the application and issuance of the Loan Commitment letter will take approximately 30 days. The CDC will use this letter to secure permanent financing for the project within 60 days. When a financing commitment is secured, the City will execute a Development Agreement with the CDC within 30 days.

<b>Action Item</b>	<b>Timeframe</b>
City Staff: Application Review and Recommendation	14 days
Issuance of Loan Commitment Letter	14 days
CDC: Comply with conditions of Letter	60 days
City Staff: Execute Contract	30 days

Following the issuance of a Loan Commitment Letter, Staff will complete an Environmental Review and a Relocation Review for the project.

### **D. DEVELOPMENT AGREEMENT AND LOAN CLOSING**

It is incumbent upon the CDC to comply with the conditions of the Loan Commitment Letter within the 60 day period. If financing is not secured during that time, the Loan Commitment shall expire. As soon as all requirements of the Loan Commitment Letter have been met, the City shall proceed with a Development Agreement. The Agreement shall clearly specify the amount of construction subsidy, the amount of homebuyer assistance, the terms and conditions of the financing, and the timeframe for completion. All construction loans will be structured as follows:

- A forgivable, deferred payment loan at 3% p.a.
- Loan shall be forgiven upon completion of the unit in accordance with all terms and conditions of the contract.
- Term shall be 12 months from the effective date of the contract.
- Prior to receiving construction funds, the CDC shall execute a promissory note and mortgage in favor of the City. The promissory note and mortgage shall be in the full amount of the construction funds.
- If the CDC fails to complete its construction obligations, the City may declare all amounts disbursed to be immediately due and payable.

CDCs will be required to submit the following for timely processing of their Funding Agreement:

- Corporate Resolution authorizing the Executive Director/Agency Head to sign the contract with the City of Cincinnati
- Vendor Registration Application and W-9 if first time recipient of City funding.
- DUNS number.

The Funding Agreement will include all City and Federal (HOME) requirements that must be followed. Key requirements are summarized below:

**Small Business Enterprises (SBE):** It is the policy of the City that a fair share of contracts be awarded to small business firms, including small business firms owned by minorities and women. Grantee must take affirmative steps to assure that Small Business Enterprises (SBEs) are utilized as sources of supplies, equipment, construction and services, with the goal of voluntarily meeting 30 percent SBEs combined participation. A list of SBEs may be obtained from the City's Office of Contract Compliance.

**Contractor/ Subcontractor Approval:** Prior to the commencement of any work, CDCs are required to submit a list of contractors and subcontractors for the project. A contractor/subcontractor approval form will be provided by the City.

**Minority/Women Business Outreach Program:**

Section 281 of the National Affordable Housing Act requires each participating jurisdiction to prescribe/monitor procedures to oversee a minority/woman outreach program. The program shall include minority and woman-owned businesses in all contracting activities entered into an agreement by contractors to ensure inclusion within the program. Therefore, minimum HUD standards require good faith, comprehensive and continuing endeavors along with supporting documentation.

**Section 3 Economic Opportunity:** Section 3 of the Housing and Urban Development Act of 1968, as amended, requires that, to the greatest extent feasible, opportunities for training and employment arising from HOME will be provided to low-income persons residing in the program service area. If a contract or a subcontract exceeds \$100,000, Section 3 requirements will apply and recipients of funding will be required to document efforts to comply.

**Equal Employment Opportunity:** Executive Order 11246, as amended, requires that all contract and subcontracts for more than \$10,000 must include language prohibiting discrimination on the basis of race, color, religion, sex, or national origin.

**Fair Housing and Equal Opportunity:** Title VI of the Civil Rights Act of 1964, as amended states that no person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity receiving Federal financial assistance on the basis of race, color or national origin. The Fair Housing Act prohibits discrimination in the sale or rental of housing, the financing of housing or the provision of brokerage services against any person on the basis of race, color, religion, sex, national origin, handicap or familial status.

**Lead Based Paint:**

If a project involving residential housing built before 1978 is to receive assistance from the Department of Community Development, lead rules apply. HUD regulations require a lead risk assessment which includes surface testing of painted surfaces with an XRF (x-ray fluorescence) machine and dust and soil samples. After the property is rehabilitated and before occupancy of a dwelling unit, a lead dust clearance test is required. A licensed lead abatement contractor or certified lead safe renovators must be utilized for all lead work. The work must also comply with the stipulations of the existing contract with the City of Cincinnati.

**Affirmative Marketing:** CDCs that receive funding through the City of Cincinnati for HUD assisted homebuyer projects must adhere to the City's Affirmative Marketing Procedures. Affirmative marketing seeks to provide information and attract eligible persons to available housing without regard to race, color, national origin, sex, religion, familial status, or disability.

**Contractor Eligibility:** Contract awards (contractor and subcontractors) cannot be made to any party excluded or disqualified for federal procurement programs. Other Federal Requirements. City staff will verify this from the Contractor/Subcontractor approval forms.

**Davis Bacon Act:** Prevailing wage rates will not apply to construction contracts with 11 or fewer HOME assisted units.

**E. PRE-CONSTRUCTION & CONSTRUCTION****Required procurement/ bidding procedures for CDCs**

All CDCs should have written procurement policies and procedures and all procurement transactions must maximize open and free competition consistent with the federal regulations for nonprofit agencies contained in 24 CFR Part 85.

A minimum of three bids will be required under this program.

**Meet and Confer:** City Council passed Resolution No. 93-1989 establishing a Meet and Confer policy that gives small business and trade unions the opportunity to bid on projects that the City of Cincinnati is funding. The Meet and Confer meetings are held the second and fourth Tuesdays of the month. In order to get on the meeting's agenda, construction specifications and the Meet and Confer Intake form (City staff will help with the completion of the form) must be submitted seven days prior to the anticipated meeting. The CDC should have specifications available at the meeting. The agenda for the Meet and Confer meeting is mailed to trade unions and small business enterprises (SBEs).

**Contract Award:** The contract award will be made to the lowest and best bidder.

**Pre-Construction Meeting:** Prior to the start of construction, a pre-construction conference will be held. At a minimum, a representative of the CDC and the General Contractor will attend. At the conference the following will be reviewed:

- Schedule of Values
- Project Schedule
- Evidence of “other” financing in the project
- Construction Draw requirements
- Insurance Requirements
- Federal and City contract requirements
- A “Notice to Proceed” will be issued by the City once all items are agreed upon at the pre-construction meeting.

**Construction Draws:** If not furnished at the pre-construction conference, the CDC will provide copies of the City’s construction permit, copies of lead abatement contractors and worker’s lead licenses or lead safe renovator’s certifications, and required insurance certificates with the First draw submittal. Each Draw will include a master affidavit from the General Contractor for the amount requested, supporting affidavits from the subcontractors, and materialmen’s certificates and/or lien waivers. All contractors/ subcontractors will be required to execute a lien waiver at the time of payment.

Disbursement of rehabilitation costs will be limited to an amount equivalent to the cost of work, materials, and labor up to the amount of such items as set forth in the request for payment submitted by the CDC, less a retainage of ten percent (10%) for such work, materials, and labor. The retainage amount will be disbursed when the requirements for final disbursement have been met. Disbursements will be made pro-rata with other funding. Draw requests shall be submitted no more than once per month.

**Final Construction Payment:** Prior to the final disbursement of funds a Certificate of Occupancy and Lead Clearance must be obtained. A final “walk-through” will be made of the project and all work will be reviewed and accepted by the City prior to the final disbursement of funds. The mortgage will be released upon the sale of the unit to an eligible homebuyer.

#### **F. FINAL PAYMENT AND PROJECT CLOSEOUT**

The final 10% construction retainage and final 10% of the developer fee will be paid upon satisfactory completion of the project. The CDC will also be required to submit a project completion report in a form provided by the City.